



## Summary of the September 17, 2015 Board of Directors Meeting

The following individuals were present at the meeting:

### Directors and Alternates, Acting as Directors:

- John Kerry, Secretary of State (Chair)
- Sarah Bloom Raskin (attending for Jacob Lew, Secretary of the Treasury, Vice Chair);
- Behnaz Kibria, (attending for Ambassador Michael Froman, United States Trade Representative (USTR));
- Alfonso Lenhardt, Acting Administrator, U.S. Agency for International Development (USAID));
- Dana Hyde, Chief Executive Officer, MCC;
- Mark Green, Private Sector Board Member;
- Morton Halperin, Private Sector Board Member; and
- Susan McCue, Private Sector Board Member.

### Other Participants:

1. Heather Higginbottom (State +1)
2. Alexia Latortue (Treasury +1)
3. Robert Wuertz (USAID +1)
4. Mary Ryckman (USTR +1)
5. Nancy Lee (MCC +1)
6. Chris Tuttle (Amb. Green +1)
7. Sarah Lucas (Ms. McCue +1)
8. Paula Tufro (NSC +1)
9. Fouad Saad (OMB)
10. William Cole (OMB)
11. Catherine Trujillo (USAID/OIG)
12. Lisa Kubiske (State)
13. Daniella Ballou-Aares (State)
14. Roland DeMarcellus (State)
15. Daniela Ballard (State)
16. Etienne LeBailly (State)
17. Sait Mboob (USAID)
18. Matthew Bohn (MCC)
19. Maame Ewusi-Mensah Frimpong (MCC)

20. Paul Weinberger (MCC)
21. Beth Tritter (MCC)
22. Kamran Khan (MCC)
23. Thomas G. Hohenthanner (MCC)
24. Parita Shah (MCC)
25. Tom Kelly (MCC)
26. Laura Leussing (MCC)
27. Jim Mazzearella (MCC)
28. Lorelle Atkinson (MCC)
29. Jonathan Bloom (MCC)
30. Kyeh Kim (MCC)
31. Fatema Sumar (MCC)
32. Mahmoud Bah (MCC)
33. Ariane Gauchat (MCC)
34. Jim Blades (MCC)
35. Chris Maloney (MCC)
36. Evan Freund (MCC)
37. James Gerard (MCC)
38. Chris Dunn (MCC)
39. Scott Alexander (MCC)
40. Cherita Nichols (MCC)
41. Pamela Woodard (MCC)

1. The meeting was called to order at 10:05 a.m. by Secretary Kerry as Chairman. The Board approved the minutes from the June 17, 2015 Board meeting and from the June 17, 2015 Audit Committee meeting.
2. CEO Update. Due to the full agenda Ms. Hyde reserved her update to be provided by written brief following the meeting.
3. Compact and Threshold Program Presentations. Three compacts were presented to the Board for consideration: Liberia, Morocco and Tanzania, as well as a threshold program with Sierra Leone. Ms. Hyde noted that the proposals share several features: (1) they are relatively ambitious in terms of sectoral impact, aiming to reach beyond an individual project, and to leverage MCC's investment and engagement in pursuit of broader systemic change that puts a relevant sector on a more sustainable and productive growth path; (2) the compacts combine infrastructure investments with specific policy and institutional reforms to maximize gains; and (3) the compacts include specific conditionality tied to funding, both upfront and in the compacts themselves, designed to incentivize sought reforms within the relevant sectors. MCC's new sector-specific focus requires the Corporation to evolve its own tools and to think differently about how it conducts economic analysis and how it measures results in policy reform, an effort in which the active engagement of the Directors is sought.
  - a. Liberia Compact. Mr. Khan and Evan Freund presented highlights of the proposed Liberia Compact. The \$257 million compact is focused on two constraints to growth: access to electricity and inadequate road infrastructure. The compact targets development of critical renewable generation infrastructure and provides support in the move away from emergency management and toward a more modern, commerce-oriented sector. Through the compact MCC, in partnership with the European Investment Bank and the governments of Germany and Norway, is investing in a linchpin of electricity generation: the Mount Coffee Hydropower Project, ultimately increasing domestic generation by 88

megawatts. MCC's investment is balanced against USAID's efforts with respect to rural electrification across the African continent. The compact also supports promulgation of a robust national road maintenance regime through financing development of regional road maintenance centers and strengthening government efforts around road maintenance. Compact investments are conditioned on passage of a new energy law, establishment of a road fund act, and the development of a road fund administration.

- b. Morocco Compact. Mr. Khan and Ariane Gauchat then presented highlights of the proposed Morocco Compact which involves significant policy reforms addressing two binding constraints: education/employability and land. MCC worked closely with USAID, the US Embassy in Morocco and others to ensure a complementary and targeted focus that leveraged MCC's model and approach, focusing on five areas: secondary education, workforce development, land governance, rural land and industrial land. The \$450 million compact calls for piloting of a new secondary education model built around employability, and for creation of a grant facility to be sustained beyond the compact term that will utilize public-private partnerships in providing training and other programs to increase employment rates and lifetime income. The compact will also support efforts of the Government of Morocco in development of a cohesive national roadmap for land governance, to move collective land from public to private hands and to increase agricultural productivity, and for reforms of industrial land governance that will increase participation, efficiency, output and responsiveness.

Applauding the design of the Liberia and Morocco Compacts, Deputy Secretary Raskin noted the challenge in quantifying the economic rate of return for some compact projects. She called for development of new and innovative tools that will increase capabilities in quantification and serve the Board in its work. Ms. Hyde pointed to MCC's proven framework of assessment for direct infrastructure investments and advised the Board of ongoing work in development of a framework for quantifying economic rates of return for use when MCC's work is policy reform.

Stating support for the Morocco Compact and MCC's investment in workforce development, Ambassador Green expressed concern generally with MCC investment in secondary education. He suggested that MCC may not be the best way to address issues in secondary education, offering that MCC should focus on target areas in which measureable deliverables can be achieved during the short period of a compact.

- c. Tanzania Compact. Mr. Khan and Scott Alexander followed with presentation of highlights of the proposed Tanzania Compact which is based on a roadmap developed by the Government of Tanzania for the power sector. The \$472.8 million compact features two strategic areas of focus: helping the Government of Tanzania to utilize the assets it already owns, and reforming the utilities with an eye toward efficiency, transparency and creditworthiness. Its main components are: (1) provision of technical assistance for implementation of policy reforms in the roadmap, (2) transforming TANESCO's information technology and financial systems for transparency and efficiency (while developing renewable sources of power), (3) placing ZECO under a private management contract, (4) expanding the distribution network, and (5) partnering with USAID for provision of a grant facility to encourage income-generating uses of electricity. The

compact is designed with requirements for progress against specific conditions to advance through successive tranches.

- d. Sierra Leone Threshold Program. Finally, Beth Tritter and Chris Dunn presented the proposed Sierra Leone Threshold Program. The program focuses on two constraints to growth: access to reliable and affordable electricity and access to safe water. The program constitutes \$44 million of investment across three areas, regulatory strengthening, water sector reform, and electricity sector reform. It is designed to leave behind concrete results in establishment of a new framework for regulated tariff-setting, an integrated power sector master investment plan, improved efficiency in baseload generation, increased revenue collections and reduced water losses, and reduced reports of corruption.
4. FY 2016 Selection Criteria & Methodology Report. The Chair then turned to the final agenda item, discussion of the FY 2016 Selection Criteria & Methodology Report (SCMR) which MCC publishes to disclose the data, criteria and approach it uses to make selection decisions. Ms. Tritter commented on the regional components of the SCMR. MCC has been discussing a regional approach to investment for some time and the Board has mandated that the organization explore opportunities in this approach. Bipartisan, standalone bills have been introduced with the support of committee leadership in both houses of Congress seeking changes to MCC's enabling legislation to allow concurrent compacts which is required to fully realize opportunities here. Chris Maloney and Kyeh Kim presented the proposed report which will guide MCC's 13th selection year. Technical updates were noted on how MCC will incorporate data from the Government of Kosovo, and on the sub-sources underpinning the freedom-of-information indicator. The report also includes a new subsection on the potential with respect to regional investments for which the selection process remains the same as normal selection. However, if there appears to be a possible regional opportunity, the Board will receive supplemental materials intended to cover three areas: a fact base on the level of integration among a country and its neighbors, a sense of what hinders further integration, and a sense of the investment opportunities one might find. Three operational modalities to help maximize economic gains have been developed for implementation, subject to receiving concurrent compact authority: a dual-compact concept (wherein MCC works with a country or group of countries and follows normal processes for compact development, though the process would explicitly consider regional, cross-border projects), a strictly regional compact (wherein MCC develops a compact with countries that is exclusively regionally focused), and finally, a "regional window" (wherein MCC would call for proposals and a set of eligible countries would submit proposals which meet pre-defined criteria).

In response to concern raised by Ambassador Green regarding the consequences of failure of one country and success of others against benchmarks in a regional compact, it was noted that the fragility of scorecard passage would be a consideration when looking for possible regional partnerships, there is a need to be mindful of building off-ramps into program design, and this is an issue the Board will likely consider when a regional compact agreement comes before it. Deputy Secretary Raskin encouraged staff to consider the current investments of other multilateral institutions as MCC performs its analysis to have a full picture of where regional opportunities lay.

5. Executive Session. The Board voted unanimously to approve the Compacts with Liberia and Morocco Compacts, the Sierra Leone Threshold Program and the SCMR.

The meeting adjourned at 11:33 a.m.